

WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Wayne County Sanitation Special Service District
Loa, Utah 84747


We have audited the accompanying financial statements of the governmental activities of Wayne County Sanitation Special Service District, a component unit of Wayne County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wayne County Sanitation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Wayne County Sanitation Special Service District as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2006, on our consideration of Wayne County Sanitation Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 24 through 25, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 1, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

Wayne County Sanitation Special Service District Management's Discussion and Analysis

The discussion and analysis of Wayne County Sanitation Special Service District "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Wayne County Sanitation Special Service District is to construct, repair, maintain all of the facilities and improvements to provide total garbage and sanitation services to all unincorporated and incorporated areas in Wayne County together with acquisition of necessary facilities, appurtenances and equipment.

Financial Highlights:

- The assets of District exceeded its liabilities as of the close of the most recent year by \$323,909 (*Net Assets*). This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$3,019. The revenues were less than final budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- The District has two full-time and two part-time employees and spent 34% of the total expenditures on salaries and benefits.
- At the end of the current year, unreserved fund balance for the District was \$286,458, or 63% of total expenditures.
- The District's total debt decreased by \$34,000. Ending balance of total debt was \$401,000. See notes to financial statements for amortization of this revenue bond debt.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Wayne County Sanitation Special Service District as a whole and present a longer-term view of the District's finances.

Reporting the District as a Whole

The District realizes revenues from sanitation fees, State PILT and investment earnings on cash deposits.

Wayne County Sanitation Special Service District Management's Discussion and Analysis (Continued)

Government-wide financial analysis

The largest portion of the District's assets are capital assets, which represent 44% of the total assets and comprise of land, buildings, improvements and equipment. The District uses these assets to provide sanitation services to the citizens of Wayne County. The total debt outstanding at year end was \$401,000. It should be noted that the resources needed to repay this debt must be provided from sanitation fees, State PILT and investment earnings on cash deposits.

Budgetary Highlights

There were no changes in the beginning and final budget for the District. The total budgeted revenues for the year were \$463,519, of which \$177,019 was funded from prior year unreserved fund balance.

Capital Asset and Debt Administration

The District's investment in capital assets at December 31, 2005 was \$438,451, (net of accumulated depreciation). This includes land, buildings, improvements and equipment. The total increase in the District's capital assets for the current year was \$178,740. The District has decided to use \$5,000 as an amount to be capitalized. Assets costing less are expensed.

Long-term debt

At the end of the current year, the District had total bonded debt outstanding of \$401,000. Additional information on the District's long-term debt can be found in the notes to the financial statements.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about his report or need additional financial information, contact Chairman, Allen Jones, 18 South Main, Loa, UT 84747.

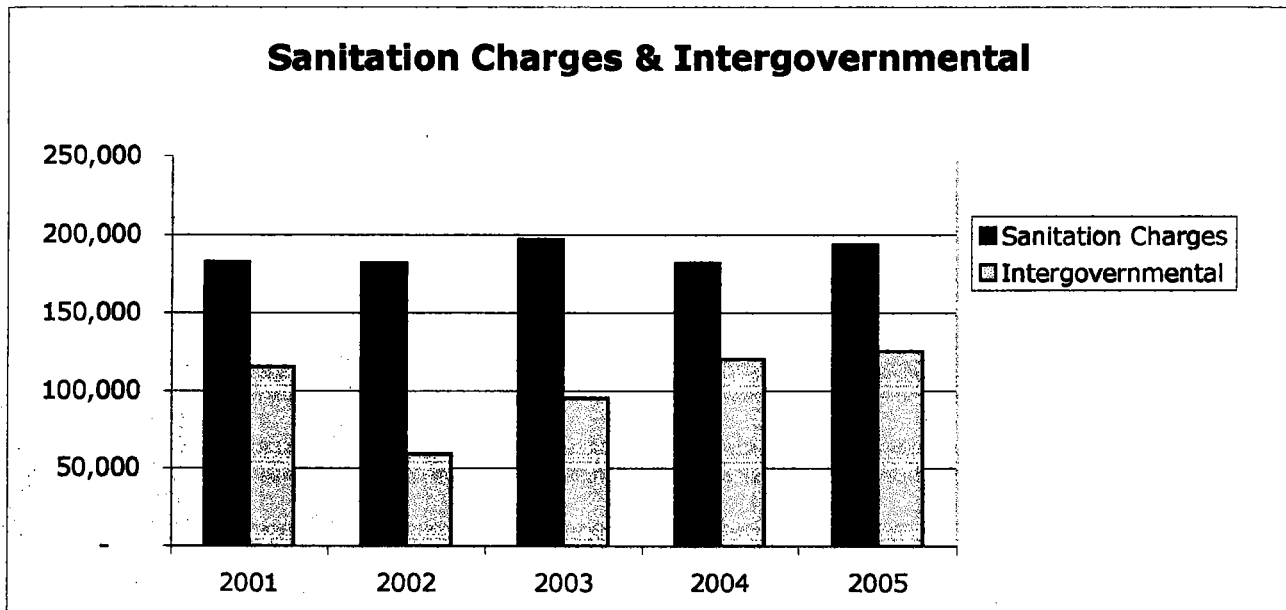
**Wayne County Sanitation Special Service District
Management's Discussion and Analysis (Continued)**

Condensed Financial Statements:

	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Assets:			Revenues:		
Current	286,458	423,797	Charges for Services	193,654	181,853
			Intergovernmental	125,628	120,637
Non-Current	438,451	332,093	Interest Earnings	1,500	2,309
Total Assets	<u>724,909</u>	<u>755,890</u>	Total Revenues	<u>320,782</u>	<u>304,799</u>
Liabilities:			Expenditures:		
Current	-	-	Current	304,713	290,077
			Interest on Debt	13,050	14,040
Long-Term	401,000	435,000			
Total Liabilities	<u>401,000</u>	<u>435,000</u>	Total Expenditures	<u>317,763</u>	<u>304,117</u>
Net Assets:					
Restricted	-	-	Change in Net Assets	3,019	682
Unrestricted	323,909	320,890	Beginning Net Assets	320,890	320,208
Net Assets	<u>323,909</u>	<u>320,890</u>	Ending Net Assets	<u>323,909</u>	<u>320,890</u>

**Wayne County Sanitation Special Service District
Revenue - Five Year Comparison**

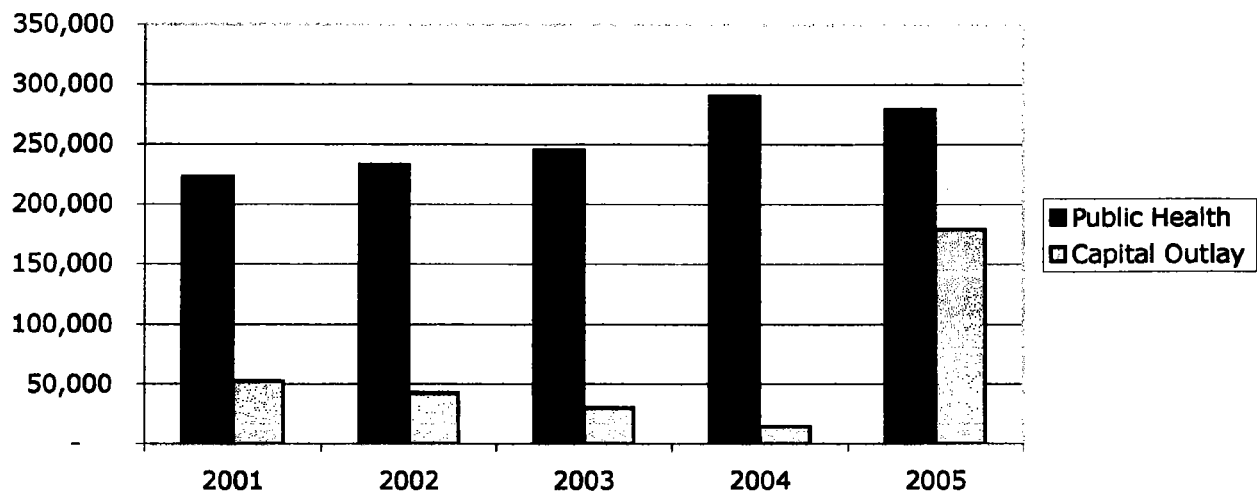
	2001	2002	2003	2004	2005
Sanitation Charges	182,680	182,091	196,888	181,853	193,654
Intergovernmental	115,537	59,055	95,612	120,637	125,628
Investment Earnings	1,953	1,468	972	2,309	1,500
Total	300,170	242,614	293,472	304,799	320,782



**Wayne County Sanitation Special Service District
Expenditures - Five Year Comparison**

	2001	2002	2003	2004	2005
Public Health	222,632	232,899	245,005	289,886	279,381
Capital Outlay	52,306	42,500	30,000	14,231	178,740
Total	274,938	275,399	275,005	304,117	458,121

Public Health & Capital Outlay



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	284,458
Fees Receivable	<u>2,000</u>
Total Current Assets	<u>286,458</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	2,000
Building	124,175
Improvements Other than Buildings	2,510
Equipment	<u>309,766</u>
Total Noncurrent Assets	<u>438,451</u>
TOTAL ASSETS	<u>724,909</u>
LIABILITIES	
Current Liabilities:	
Revenue Bonds Payable - Due Less Than One Year	35,000
Noncurrent Liabilities:	
Revenue Bonds Payable - Due More Than One Year	<u>366,000</u>
TOTAL LIABILITIES	<u>401,000</u>
NET ASSETS	
Invested In Capital Assets, Net of Related Debt	37,451
Unrestricted	<u>286,458</u>
TOTAL NET ASSETS	<u>323,909</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>724,909</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

		<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants/</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Functions/Programs:				
Governmental Activities:				
Public Health	304,713	193,654	125,628	14,569
Interest on Long-Term Debt	<u>13,050</u>	<u>-</u>	<u>-</u>	<u>(13,050)</u>
TOTAL REVENUES	<u>317,763</u>	<u>193,654</u>	<u>125,628</u>	<u>1,519</u>
General Revenues:				
Unrestricted Investment Earnings				<u>1,500</u>
Total General Revenues				<u>1,500</u>
Changes in Net Assets				<u>3,019</u>
Net Assets - Beginning				<u>320,890</u>
Net Assets - Ending				<u><u>323,909</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2005

	<u>General Fund</u>
ASSETS	
Cash and Investments:	
Unrestricted	284,458
Fees Receivable	<u>2,000</u>
TOTAL ASSETS	<u><u>286,458</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities	<u>-</u>
Fund Equity:	
Unreserved	<u>286,458</u>
Total Fund Equity	<u><u>286,458</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>286,458</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2005

Total Fund Balances - Governmental Fund Types	286,458
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	2,000
Buildings	124,175
Improvements Other Than Buildings	2,510
Equipment	<u>309,766</u>

Total (Net of Depreciation)	438,451
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Long-term liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported in the funds:

Revenue Bonds Payable	<u>(401,000)</u>
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Net Assets of Government Activities	<u><u>323,909</u></u>
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**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

	<u>General Fund</u>
Revenues:	
Intergovernmental	125,628
Charges for Services	193,654
Interest	<u>1,500</u>
 Total Revenues	 <u>320,782</u>
 Expenditures:	
Current Expenditures:	
Public Health	232,331
Debt Service	47,050
Capital Outlay	<u>178,740</u>
 Total Expenditures	 <u>458,121</u>
 Net Change in Fund Balance	 (137,339)
 Fund Balance - Beginning	 <u>423,797</u>
 Fund Balance - Ending	 <u><u>286,458</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(137,339)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	178,740	
Depreciation	<u>(72,382)</u>	
Total		106,358

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payment on Revenue Bonds	<u>34,000</u>
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Changes In Net Assets of Governmental Activities	<u><u>3,019</u></u>
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**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Wayne County Sanitation Special Service District, a component unit of Wayne County, was created by the adoption of a resolution to establish a special service district by the Wayne County Commissioners on September 10, 1993. The District was authorized to construct, repair and maintain all of the facilities and improvements to provide total garbage and sanitation services to all unincorporated and incorporated areas in Wayne County together with acquisition of necessary facilities, appurtenances and equipment. The Special Service District's Administrative Control Board consists of five (5) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners shall appoint the initial three members to serve two year terms and the remaining two members to serve four year terms. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGET PROCESS

Wayne County Sanitation Special Service District has properly adopted required budgets for 2005. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 2 - BUDGET PROCESS (CONTINUED)

These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service District's deposits was \$65,843. All of this amount was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	63,843
Investments - PTIF	<u>220,615</u>
Total Cash and Investments	<u><u>284,458</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	<u><u>284,458</u></u>
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**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposit and Investment Risk:

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the District are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the District's demand deposits was covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in State approved institutions.

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 4 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital Assets Being Depreciated:				
Buildings	172,531	-	-	172,531
Improvement Other Than Buildings	12,500	-	-	12,500
Equipment	<u>475,000</u>	<u>178,740</u>	<u>-</u>	<u>653,740</u>
Total Capital Assets Being Depreciated	<u>660,031</u>	<u>178,740</u>	<u>-</u>	<u>838,771</u>
Less Accumulated Depreciation For:				
Buildings	44,178	4,178	-	48,356
Improvement Other Than Buildings	9,160	830	-	9,990
Equipment	<u>276,600</u>	<u>67,374</u>	<u>-</u>	<u>343,974</u>
Total Accumulated Depreciation	<u>329,938</u>	<u>72,382</u>	<u>-</u>	<u>402,320</u>
Total Capital Assets Being Depr. (Net)	<u>330,093</u>	<u>106,358</u>	<u>-</u>	<u>436,451</u>
Governmental Activities Capital Assets (Net)	<u><u>332,093</u></u>	<u><u>106,358</u></u>	<u><u>-</u></u>	<u><u>438,451</u></u>

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 5 - GENERAL LONG-TERM DEBT

During 1995 the Special Service District obtained a loan from the Community Impact Board for the purchase of fixed assets to operate the County landfill. The terms of the loan require a payment of approximately \$47,000 per year including interest at 3%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	35,000	12,030	47,030
2007	36,000	10,980	46,980
2008	37,000	9,900	46,900
2009	38,000	8,790	46,790
2010	39,000	7,650	46,650
2011-2015	<u>216,000</u>	<u>19,800</u>	<u>235,800</u>
	<u>401,000</u>	<u>69,150</u>	<u>470,150</u>

The following is a schedule of changes in long-term debt:

	<u>Balance December 31, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2005</u>
Community Impact Board	<u>435,000</u>	<u>-</u>	<u>34,000</u>	<u>401,000</u>

NOTE 6 - UTAH STATE RETIREMENT PLANS

Wayne County Sanitation Special Service District does not participate in the State Retirement Plan.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties. Through the Mutual, the District maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$50,000,000 and \$250,000 for liability to a limit of \$750,000 with a combined excess aggregate of \$1,000,000 to 1,350,000. The Mutual does not provide coverage for all risks and hazards, however, the District has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>423,797</u>	<u>423,797</u>	<u>423,797</u>	<u>-</u>
Resources (Inflows):				
Intergovernmentals:				
Intergovernmental Revenue	105,000	105,000	125,628	20,628
Charges for Services	180,000	180,000	193,654	13,654
Miscellaneous Revenue	1,500	1,500	1,500	-
Use of Surplus	<u>177,019</u>	<u>177,019</u>	<u>-</u>	<u>(177,019)</u>
Total Intergovernmental	<u>463,519</u>	<u>463,519</u>	<u>320,782</u>	<u>(142,737)</u>
Amounts Available for				
Appropriation	<u>887,316</u>	<u>887,316</u>	<u>744,579</u>	<u>(142,737)</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	206,519	206,519	232,331	(25,812)
Capital Outlay	183,000	183,000	178,740	4,260
Debt Service:				
Principal	65,000	65,000	34,000	31,000
Interest	<u>9,000</u>	<u>9,000</u>	<u>13,050</u>	<u>(4,050)</u>
Total Charges to				
Appropriations	<u>463,519</u>	<u>463,519</u>	<u>458,121</u>	<u>5,398</u>
Budgetary Fund Balance, December 31	<u>423,797</u>	<u>423,797</u>	<u>286,458</u>	<u>(137,339)</u>

WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Year Ended December 31, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	744,579
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(423,797)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	-
Bond proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes but are other financing sources.	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>320,782</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	458,121
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>458,121</u></u>

(This page contains no information and
is used to assist in formatting, for easier reading)



COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board Members
Wayne County Sanitation Special Service District
Loa, Utah 84747

We have audited the financial statements of the governmental activities of Wayne County Sanitation Special Service District, a component unit of Wayne County, as and for the year ended December 31, 2005, which collectively comprise Wayne County Sanitation Special Service District's basic financial statements and have issued our report thereon dated May 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County Sanitation Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

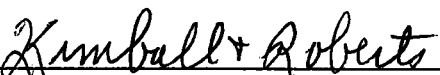
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County Sanitation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Wayne County Sanitation Special Service District in a separate letter dated May 1, 2006.

The Honorable Board Members
Wayne County Sanitation Special Service District
Page -2-

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 1, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Wayne County Sanitation Special Service District
Loa, Utah 84747

We have audited the accompanying financial statements of the governmental activities of Wayne County Sanitation Special Service District, a component unit of Wayne County, for the year ended December 31, 2005, and have issued our report thereon dated May 1, 2006. As part of our audit, we have audited Wayne County Sanitation Special Service District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance programs from the State of Utah:

Mineral Lease Monies (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

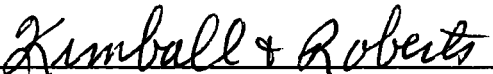
The management of Wayne County Sanitation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

The Honorable Board Members
Wayne County Sanitation Special Service District
Page -2-

In our opinion, Wayne County Sanitation Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 1, 2006
Richfield, Utah

WAYNE COUNTY SANITATION SPECIAL SERVICE DISTRICT
MANAGEMENT LETTER
DECEMBER 31, 2005

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

May 1, 2006

The Honorable Board Members
Wayne County Sanitation Special Service District
Loa, Utah 84747

During our audit of the funds of Wayne County Sanitation Special Service District for the year ended December 31, 2005, we noted certain areas needing corrective action in order for the District to be in compliance with state laws and regulations. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance

The allowed amount of fund balance for Special Service Districts with general fund revenues greater than \$100,000 is 25% of revenues.

Finding:

During our examination we noted the fund balance for the District is in excess of the amount allowed by State law. The total revenues for 2005 were \$318,782 and 25% of this amount would be \$79,696. The present fund balance is \$286,458.

Recommendation:

We recommend that the District come into compliance with State law regarding fund balance amounts.

Management Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Minutes of Board Meetings

Finding:

Presently there are no minutes of board meetings for the Sanitation Special Service District.

Recommendation:

We recommend that a formal agenda be prepared and advertised disclosing when the board meeting is held. Minutes of the meeting should be prepared.

Management Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Purchasing Requirements

Counties, municipalities and interlocal agencies created by counties and municipalities are required to adopt purchasing policies and procedures. The entities must comply with these policies and procedures when procuring supplies, services and construction.

Finding:

During our tests of purchasing requirements we noted that the policies and procedures for the District need to be updated to include the provisions recommended by the State.

Recommendation:

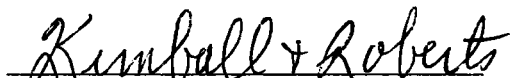
We recommend that the District adopt purchasing policies and procedures that include the provisions recommended by the State for purchases of supplies, services and construction.

Management Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Wayne County Sanitation Special Service District's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,



KIMBALL & ROBERTS
Certified Public Accountants

DKK/vl